DOCUMENT RESUME

ED 425 778 JC 990 027

TITLE	Review of the Community College System's Performance-Based Program Budgeting Measures and Incentive Fund. Report 97-49.
INSTITUTION	Florida State Legislature, Tallahassee. Office of Program Policy Analysis and Government Accountability.
PUB DATE	1998-02-00
NOTE	41p.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Reports - Descriptive (141)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	*Budgets; *Community Colleges; *Educational Finance; *Performance Based Assessment; Program Evaluation; *Resource Allocation; Two Year Colleges
IDENTIFIERS	*Florida Community College System

ABSTRACT

This report addresses the Florida Community College System's (FCCS) performance based on measures established by the General Appropriations Act. Discussed are: (1) FCCS' performance on the measures used in the performance-based budgeting (PBB) incentive fund; (2) improvements that can be made to the PBB incentive fund; and (3) changes to community college PBB that would provide better information on systemwide performance. FCCS' performance-based budgeting approach differs from other approaches used in Florida by directly linking community college performance to a portion of state funding. Specifically, this approach awards points to the community colleges based on a number of output and outcome indicators. Community colleges then receive a portion of the incentive funds based on the number of points they accrue. Results for the 1996-97 performance-based budgeting incentive fund measures suggest that FCCS gained efficiency in its degree and certificate programs. Appended are: data tables that illustrate how the current effectiveness and improvement awards could be calculated; and a response to the report from the Florida State Board of Community Colleges. (EMH)

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Review of the Community College System's Performance-Based Program Budgeting Measures and Incentive Fund

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Office of Program Policy Analysis and Government Accountability

Report No. 97-48

THE FLORIDA LEGISLATURE

Office of
Program Policy Analysis
And Government Accountability

John W. Turcotte, Director

February 1998

Executive Summary
Report No. 97-49
Review of the Community College System's Performance-Based Program Budgeting Measures and Incentive Fund

Scope

This report addresses the Community College System's performance based on measures established by the General Appropriations Act. In this review, we examined: (1) the Community College System's performance on the measures used in the performance-based budgeting (PB^2) incentive fund; (2) improvements that can be made to the PB^2 incentive fund; and (3) changes to community college PB^2 that would provide better information on system-wide performance. Our second report, which will be issued by July 1, 1998, will provide an assessment of System performance and will address alternatives for reducing costs and improving service delivery.

Background

The Community College System provides a variety of educational and job training programs to Florida citizens. Its primary mission is to respond to community needs for postsecondary academic and vocational education. The Legislature began funding the Community College System under a performance-based program budget in Fiscal Year 1996-97. The Legislature appropriated $12 million to provide performance-based incentives to the community colleges in Fiscal Years 1996-97 and 1997-98, which represented approximately 2% of the total state appropriations for community colleges in these years.

The Community College System's performance-based budgeting approach differs from other approaches used in Florida by directly linking community college performance to a portion of state funding. Specifically, this approach awards points to the community colleges based on a number of output and outcome indicators. Community colleges then receive a portion of the incentive funds based on the number of points they accrue. Community colleges can also earn incentive funds from another source.

Conclusions

Instead of specifying a broad set of output and outcome measures upon which to judge the performance of the Community College System, the Legislature took a more limited PB^2 approach for community colleges by creating an incentive fund that focuses on selected performance indicators. In doing so, the Legislature directly linked a portion of community college funding to actual performance in some key areas. However, using these measures alone limits the conclusions that can be made about overall System performance. Despite this limitation, the 1996-97 performance-based budgeting incentive fund measures indicate the Community College System gained some efficiency in its degree and certificate programs.

The current PB^2 incentive fund includes some characteristics of an ideal performance-based funding system. For instance, the PB^2 incentive fund provides a simple, straightforward way of distributing incentive money to community colleges. However, the PB^2 incentive fund could be improved to strengthen the incentives provided to community colleges to improve their current performance. For example, community colleges earn incentive dollars without having to demonstrate performance improvement. Also, in competing for incentive funds, some colleges may be at a disadvantage due to the types of programs they are providing.

Finally, while the incentive fund measures may help to improve System efficiency in some important areas, they are of limited usefulness for judging system-wide performance and effectiveness. A broader set of measures and standards is needed to fully assess the quality and effectiveness of the Community College System.

Recommendations

To better ensure accountability to stakeholders, the performance-based budgeting approach for community colleges should be expanded to include a more comprehensive set of measures that focuses on System-wide goals. These measures should cover the major responsibilities of the System and set expectations for success. Thus, we recommend that the Legislature retain the incentive fund as part of the Community College System's Performance-based Budget but supplement it by including a broader set of measures with associated (system-wide) standards in the General Appropriations Act. This recommendation can be implemented without having to develop many new measures. Community colleges already report many of these indicators through their annual Accountability Plan report and legislative budget request.

We also recommend that the Legislature change how it distributes performance-based budgeting incentive funds to the community colleges. At a minimum, we recommend the following three changes: (1) distribute incentive funds based on meeting established success criteria; (2) incorporate program length into the distribution of incentive funds for vocational certificate programs once program lengths are standardized; and (3) add a measure for the percentage of AA degree transfer students who achieve a GPA of 2.5 or higher in the State University System. To implement, these changes, we recommend that the PB^2 incentive fund be restructured around four primary measures: (1) Current Effectiveness, (2) Improvement (3) Special Population Completion, and (4) Excess Hours/Efficiency.

Agency Response

The Acting Executive Director of the Community College System, in his written response to our preliminary and tentative findings, generally agreed with our observations and finding regarding the System's performance-based budgeting measures and incentive fund. He agreed that the PB^2 incentive fund could be improved and that a broader set of measures and standards would be needed to "fully assess the quality and effectiveness of the Community College System." However, he does not believe that it is necessary or even desirable to have a funding system that attempts to fully assess the quality and effectiveness of the System. He also agreed with our position that measures expressed as rates would provide more meaningful information about their institutions, but he does not necessarily agree that such measures should be incorporated into performance-based budgeting.

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The Florida Legislature

OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY

John W. Turcotte, Director

February 1998

The President of the Senate,
the Speaker of the House of Representatives,
and the Legislative Auditing Committee

As requested by the Legislative Auditing Committee, I have directed that a review be made of the use of performance-based program budgeting for the Community College System. The results of this review are presented to you in this report. This review was conducted by Tim Elwell, Yvonne Bigos, Glenn Chavis, Dorothy Gray, Steve Smith, and Linda Ward, under the supervision of Jane Fletcher.

We wish to express our appreciation to the staff of the Department of Education for their assistance.

Sincerely,

John W. Turcotte
Director

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Executive Summary

Report No. 97-49

Review of the Community College System's Performance-Based Program Budgeting Measures and Incentive Fund

Scope

This report addresses the Community College System's performance based on measures established by the General Appropriations Act. In this review, we examined: (1) the Community College System's performance on the measures used in the performance-based budgeting (PB^2) incentive fund; (2) improvements that can be made to the PB^2 incentive fund; and (3) changes to community college PB^2 that would provide better information on system-wide performance. Our second report, which will be issued by July 1, 1998, will provide an assessment of System performance and will address alternatives for reducing costs and improving service delivery.

Background

The Community College System provides a variety of educational and job training programs to Florida citizens. Its primary mission is to respond to community needs for postsecondary academic and vocational education. The Legislature began funding the Community College System under a performance-based program budget in Fiscal Year 1996-97. The Legislature appropriated $12 million to provide performance-based incentives to the community colleges in Fiscal Years 1996-97 and 1997-98, which represented approximately 2% of the total state appropriations for community colleges in these years.

The Community College System's performance-based budgeting approach differs from other approaches used in Florida by directly linking community college performance to a portion of state funding. Specifically, this approach awards points to the community colleges based on a number of output and outcome indicators. Community colleges then receive a portion of the incentive funds based on the number of points they accrue. Community colleges can also earn incentive funds from another source.

Conclusions

Instead of specifying a broad set of output and outcome measures upon which to judge the performance of the Community College System, the Legislature took a more limited PB^2 approach for community colleges by creating an incentive fund that focuses on selected performance indicators. In doing so, the Legislature directly linked a portion of community college funding to actual performance in some key areas. However, using these measures alone limits the conclusions that can be made about overall System performance. Despite this limitation, the 1996-97 performance-based budgeting incentive fund measures indicate the Community College System gained some efficiency in its degree and certificate programs.

The current PB^2 incentive fund includes some characteristics of an ideal performance-based funding system. For instance, the PB^2 incentive fund provides a simple, straightforward way of distributing incentive money to community colleges. However, the PB^2 incentive fund could be improved to strengthen the incentives provided to community colleges to improve their current performance. For example, community colleges earn incentive dollars without having to demonstrate performance improvement. Also, in competing for incentive funds, some colleges may be at a disadvantage due to the types of programs they are providing.

Finally, while the incentive fund measures may help to improve System efficiency in some important areas, they are of limited usefulness for judging system-wide performance and effectiveness. A broader set of measures and standards is needed to fully assess the quality and effectiveness of the Community College System.

Recommendations

To better ensure accountability to stakeholders, the performance-based budgeting approach for community colleges should be expanded to include a more comprehensive set of measures that focuses on System-wide goals. These measures should cover the major responsibilities of the System and set expectations for success. Thus, we recommend that the Legislature retain the incentive fund as part of the Community College System's Performance-based Budget but supplement it by including a broader set of measures with associated (system-wide) standards in the General Appropriations Act. This recommendation can be implemented without having to develop many new measures. Community colleges already report many of these indicators through their annual Accountability Plan report and legislative budget request.

We also recommend that the Legislature change how it distributes performance-based budgeting incentive funds to the community colleges. At a minimum, we recommend the following three changes: (1) distribute incentive funds based on meeting established success criteria; (2) incorporate program length into the distribution of incentive funds for vocational certificate programs once program lengths are standardized; and (3) add a measure for the percentage of AA degree transfer students who achieve a GPA of 2.5 or higher in the State University System. To implement, these changes, we recommend that the PB^2 incentive fund be restructured around four primary measures: (1) Current Effectiveness, (2) Improvement (3) Special Population Completion, and (4) Excess Hours/Efficiency.

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Chapter 1: Introduction

Purpose

This is the first of two reports presenting the results of our program evaluation and justification review of the Community College System. State law directs the Office of Program Policy Analysis and Government Accountability to complete a program evaluation and justification review of each state agency program that is operating under a performance-based budget. Our Office is to review each program's performance-based program budgeting measures and standards and identify alternative means of providing program services.

This report addresses the Community College System's performance based on measures established by the General Appropriations Act. In this review, we examined: (1) the Community College System's performance on the measures used in the performance-based budgeting (PB^2) incentive fund; (2) improvements that can be made to the PB^2 incentive fund; and (3) changes to community college PB^2 that would provide better information on system-wide performance. Our second report, which will be issued by July 1, 1998, will provide an assessment of System performance and will address alternatives for reducing costs and improving service delivery.

Background

The Community College System provides a variety of educational and job training programs to Florida citizens. Its primary mission is to respond to community needs for postsecondary academic and vocational education. This includes:

- providing lower level undergraduate instruction designed to award associate degrees and prepare students to transfer to four-year colleges and universities;
- preparing students for vocations requiring less than a baccalaureate degree;

- providing a range of student development services such as assessment, counseling, and remediation; and
- promoting economic development within each community college district by providing special job training programs.

A secondary role for the System is to provide community services not directly related to academic or occupational advancement, adult general education, and recreational and leisure services.

The 1994 Government Performance and Accountability Act directs state agencies to submit performance-based program budget requests, which include proposed performance measures and standards, to the Legislature for approval.[1] The Legislature approves performance measures and standards and includes these in the General Appropriations Act. State agencies must annually report on performance against these standards to the Governor and the Legislature in their legislative budget requests. The Legislature considers this information when making funding decisions. The Legislature can also award incentives and disincentives for program performance that exceeds or fails to meet the established standards.

The Legislature began funding the Community College System under a performance-based program budget in Fiscal Year 1996-97. The Legislature appropriated $12 million to provide performance-based incentives to the community colleges in Fiscal Years 1996-97 and 1997-98, which represented approximately 2% of the total state appropriations for community colleges in these years.[2] The Legislature added the Fiscal Year 1996-97 incentive amount ($12 million) into the System's base funding for 1997-98. These funds are awarded for performance in three program areas: Associate in Arts, Associate in Science, and Vocational Certificates.

[1] Standards are expected levels of performance against which actual performance is to be compared.

[2] Total state appropriations for Fiscal Year 1996-97 and 1997-98 for the Community Colleges System were $713,170,548 and $761,916,764, respectively.

The Community College System's performance-based budgeting approach differs from other approaches used in Florida by directly linking community college performance to a portion of state funding. Specifically, this approach awards points to the community colleges based on a number of output and outcome indicators. Community colleges then receive a portion of the incentive funds based on the number of points they accrue. Exhibit 1 details the measures used to distribute performance-based incentive funds to the community colleges.

Other Accountability and Incentive Approaches. Pursuant to Ch. 240.324, F.S., the State Board of Community Colleges has developed and implemented a plan to evaluate the instructional and administrative efficiency and effectiveness of the State Community College System. This Accountability Plan, which is submitted to the Legislature on an annual basis, includes state-based performance indicators for the System. These indicators include graduation and retention rates for community college students, job placement rates for community college vocational programs, and college preparatory success indicators.

Currently, community colleges can also earn incentive funds from another source. In 1994, the Legislature created Performance-Based Incentive Funding (PBIF) to provide incentives (approximately $5.5 million in Fiscal Years 1995-96 and 1996-97.) for preparing students for high-wage, high-skill occupations.[3] Community colleges receive these incentives for the number of students who complete targeted training programs and the number who become employed in targeted jobs. Community colleges also receive PBIF incentives for enrolling students from designated populations and double incentives for program completion and job placement of these students.[4]

In addition, when implemented, Chapter 97-307, Laws of Florida, will link community college funding to performance. In 1997, the Legislature created the

[3] High-wage, high-skill occupations are identified through the Occupational Forecasting Conference created in s. 216.136(a)(10), F.S.

[4] These designated populations include students who are disabled, economically disadvantaged, public assistance recipients, or have limited English proficiency.

Workforce Development Fund. Under this initiative, which takes effect July 1, 1998, community colleges will earn funding for their workforce development programs. Community colleges will receive an initial amount of funding for these programs based on student enrollment. Colleges will earn additional funds when students complete job-training programs and when they obtain related employment. Colleges earning funds in excess of their costs will be expected to use these funds to improve their workforce programs.[5]

Exhibit 1
Performance-Based Incentive Fund Measures
for the Community College System

PB^2 Incentive Fund Measures
1. The sum of $5 million to be distributed among the community colleges based upon each college's pro-rata share of the total absolute number of: • Associate of Arts degree completers; • Associate of Science degree completers; and • One-half of the total number of certificate completers for the academic year.
2. The sum of $5 million to be distributed among the community colleges based on each college's pro-rata share of the number of completers in No. 1 above that: • required remediation based on college placement test results (one point for each subject area); • qualified as economically disadvantaged under federal qualifications; • were reported as disabled in a federal classification of disabled; • tested into English for Non-Speakers or English as a Second Language; • passed a state licensure exam; or • have been placed in a job identified through using the state Florida Education and Training Placement Information Program (FETPIP) data. *(Note: Students may be counted in more than one category.)*
3. The sum of $2 million to be distributed among the community colleges based upon each college's pro-rata share of the number of Associate of Arts completers who graduated with less than 72 total attempted hours.

Source: General Appropriations Act

[5] The 1997 Legislature also directed the Commissioner of Education to form a task force to investigate issues related to implementing the workforce development fund and to report to the Legislature by January 1, 1998.

Chapter 2: Findings

Finding 1

Using the Community College System's PB² Incentive Fund Measures, What Can Be Concluded About Its Performance in Fiscal Year 1996-97?

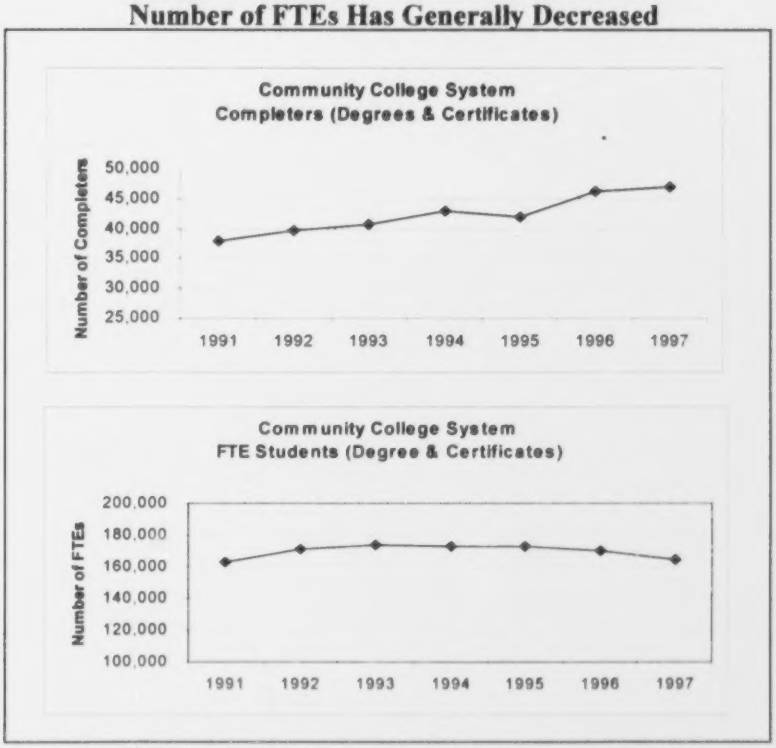
Instead of specifying a broad set of output and outcome measures upon which to judge the performance of the Community College System, the Legislature took a more limited PB² approach for community colleges by creating an incentive fund that focuses on a select number of indicators. In doing so, the Legislature directly linked a portion of community college funding to actual performance in some key areas. However, using these measures alone limits the conclusions that can be made about overall System performance.

The Community College System Gained Some Efficiency in Its Degree and Certificate Programs in 1996-97

Despite this limitation, the 1996-97 performance-based budgeting incentive fund measures indicate the Community College System gained some efficiency in its degree and certificate programs. Specifically, the total number of degrees and certificates awarded to students in Fiscal Year 1996-97 was 884 more than those awarded in 1995-96, representing an increase of 1.9%. During the same time period, the number of full-time equivalent (FTE) students enrolled in degree and certificate programs decreased by 5,856 or 3.4%. While this suggests that the System operated more efficiently in 1996-97, we cannot attribute this to PB² because this same pattern in FTE enrollment and completers has been generally occurring over the past few years (see Exhibit 2).

Exhibit 2

Since Fiscal Year 1990-91, the Number of System Completers Has Generally Increased While the Number of FTEs Has Generally Decreased



Source: OPPAGA analysis of data provided by the Division of Community Colleges

Fiscal Year 1996-97 Data Are Not Yet Available for Many of the PB² Measures, Which Limits Conclusions About System Performance

As seen in Exhibit 3, the availability of past and current data limits conclusions about the System's performance in Fiscal Year 1996-97 for the remaining PB² incentive fund measures (see Exhibit 1, page 4, for the measures). We noted the following factors:

- Data for the special population measures (the first four sub-measures under Measure II) are not available for prior years and are not yet available for the current year;
- The number of completers passing state licensure examinations remained relatively constant from Fiscal Year 1991-92 to 1995-96. However, this number declined from 7,924 students in Fiscal Year 1994-95 to 6,089 students in Fiscal Year 1995-96, representing a 23% decrease. However, current data for this measure are not yet available;

- The number of completers placed in related jobs remained relatively constant from Fiscal Year 1992-93 to 1994-95. However, data for this measure are not yet available for Fiscal Years 1995-96 and 1996-97; and
- Data for Measure III (excess hours) are not available for prior years and are not yet available for the current year.

Exhibit 3
The Lack of Current Data for Many of the Incentive Fund Measures Limits Conclusions About the System's Performance in 1996-97

	Measure I	Measure II			Measure III
Year	Number of Completers	Special Populations Completers	Licensure Passage	Job Placement	Excess Hours
1990-91	37,820	not available	not available	not available	not available
1991-92	39,754	not available	7,644	9,324	not available
1992-93	40,722	not available	not available	11,075	not available
1993-94	42,846	not available	7,639	11,875	not available
1994-95	41,968	not available	7,924	11,880	not available
1995-96	46,175	30,764[1]	6,089	not yet available	7,898
1996-97	47,059	not yet available	not yet available	not yet available	not yet available

Note: For performance evaluation purposes, these measures include the actual number of certificate completers. In the distribution of incentive funds, only half of certificate completers are counted.

[1] The special population measures include duplicate counts of students. Thus, one student could generate a point for each of the four different categories.

Source: OPPAGA analysis of information provided by the Division

Most Community College Presidents Reported that the PB^2 Incentive Fund Has Had a Positive Impact on Their Institutions

The lack of current data for many of the PB^2 incentive fund measures limits the conclusions that can be made about the real impact of PB^2 on community college performance. However, most community college presidents reported that the PB^2 incentives have generally had a positive impact on their programs by causing their institutions to focus more on student success and helping students complete their programs of study.

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Finding 2

How Can the System's Performance-Based Budgeting Incentive Fund Be Improved?

Since Fiscal Year 1996-97 was the first year that community colleges received performance-based budgeting incentives, it is too early to make definitive conclusions about the extent to which these incentives have improved community college performance. However, we assessed the extent to which the incentive fund incorporates the characteristics of an ideal performance-based incentive funding system. These characteristics include:

Characteristics of an Ideal Performance-Based Incentive Fund

- linkage of indicators to state goals;
- simplicity of design;
- accessibility to permit colleges to compete for funds;
- use of success criteria; and
- availability of data.

Exhibit 4 explains the importance of these characteristics and provides our assessment of how well the System's PB^2 incentive fund incorporates these characteristics.

Current PB^2 Incentive Fund Provides a Simple, Straightforward Way of Distributing Incentive Money to Colleges

The current Community College System's PB^2 incentive fund includes some characteristics of an ideal performance-based funding system. For example, awarding incentive funds based on the number of degree and certificate holders is simple and straightforward, leaving little doubt as to what community colleges are rewarded for. Also, the Division can readily provide data for most of the indicators currently included in the incentive fund.

Current PB^2 Incentive Fund Could Be Improved in Some Critical Areas

However, the PB^2 incentive fund can be improved in some critical areas to strengthen the incentives provided to community colleges to improve their current performance. For example, community colleges can earn incentive dollars without having to demonstrate improvement on the indicators. All

colleges receive a portion of the incentive funds regardless of whether they meet an expected target or improve their performance over the previous year. Since incentive funds are distributed based on a college's share of the System's completers, colleges that enroll more students tend to get larger portions of the available incentive funds.

In Competing for PB² Incentive Funds, Colleges Serving a Large Proportion of Students in Adult Education Programs May Be at a Disadvantage

In addition, some colleges may not have equal access to earning a share of the available incentive funds. The current incentive fund awards community colleges for graduating students who enroll in degree and certificate programs and not for students enrolled in other types of programs, such as adult secondary education. If the intent of the Legislature is to help colleges achieve their individual missions, colleges that serve a large proportion of students in programs not covered by the current incentive fund will not be able to garner incentives for students who successfully complete these programs.

In Competing for PB² Incentive Funds, Colleges Providing Longer Length Vocational Certificate Programs May Be at a Disadvantage

Another concern with the current incentive fund relates to vocational certificate incentives. Community colleges earn credit for each vocational certificate awarded at their institution, regardless of program length. Since standard program lengths vary greatly, differences in program mix can affect a college's ability to compete for financial incentives.[6] As a result, colleges that provide more longer-to-complete programs than other colleges will earn the same amount per certificate even though the cost to deliver these programs is higher.

[6] Our review of information related to course length showed that vocational programs ranged from a low of 21 clock hours to a high of 5040 clock hours. Currently, the incentive fund treats these programs equally meaning that a community college can earn as much incentive money for having a student complete a 21 clock hour program as for a 5040 clock hour program.

Exhibit 4
The Incentive Fund Incorporates Some Elements of An Ideal Performance-Based Incentive Fund

Characteristic	Ideal Performance-Based Incentive Fund	Florida's Performance-Based Incentive Fund
Valid Indicators Linked to System-Wide Goals	Since performance funding directly ties money to performance, the indicators selected should provide colleges an incentive to improve their performance in the areas most critical to achieving the state's primary higher education goals. For indicators to achieve that purpose, they must be valid indicators of the performance areas the incentive fund is trying to influence.	Valid indicators (student retention, program completion, and job placement) tie funding to the major community college instructional programs. ***However, the incentive fund does not include indicators related to how well AA students do after they graduate.***
Simplicity	Simplicity is important for a performance-funding system so that it is clear to the colleges, general public, and other stakeholders what participating institutions will be doing in order to justify incentive rewards. Complex formulas and designs may allow for more uniqueness and precision in distributing funds, but they may also be time-consuming and difficult to develop and implement.	***The incentive fund is simple and straightforward, making it clear that community colleges are rewarded for producing graduates,*** for producing graduates who meet certain characteristics, and for producing graduates who pass state license examinations and obtain employment in a related field. Increased complexity is introduced with the existence of multiple incentive programs for community college performance.
Accessibility	To the extent possible, a performance funding process should be designed to permit widely different kinds of institutions to compete successfully for a share of the available incentive funds.	The PB^2 incentive fund provides a variety of indicators including extra incentives for serving disadvantaged students. ***In general, different institutions can successfully compete for these incentive awards. However, PB^2 does not provide incentives for adult education programs that produce high school graduates. Consequently, community colleges with large adult education programs have less access to PB^2 incentives. In addition, colleges earn the same amount for each vocational certificate regardless of program length.*** Some certificate programs take a few weeks to complete while others may take several months. Providing equal incentives regardless of program length may encourage community colleges to provide shorter programs.
Incorporates Success Criteria	An essential component of a performance funding system is the definition of success or progress used to determine if institutions are meeting established goals. Success criteria are often used to determine the amount of funds an institution is eligible for based on its performance. There are three basic methods of measuring institutional success: (1) progress compared to historical performance, (2) performance compared to peer institutions nationally or statewide, and (3) performance on pre-set targeted standards.	***The incentive fund does not incorporate success criteria into the distribution of incentive funds.*** All community colleges earn incentive funds regardless of whether they change or improve their performance from the previous year. The colleges do not have to attain a certain threshold of performance in order to receive incentive funds. Success criteria are necessary if the PB^2 incentive fund is to achieve the goal of improving community college performance.
Availability of Data	A necessary prerequisite for a performance-based incentive fund is the availability of data for the indicators used. Performance indicators should be defined in terms of the data available and be consistent and accurate across the individual colleges. If an indicator requires collection of new data, a lag time of 1-3 years may be necessary before the indicators can be used.	***The Division can readily provide data from its data bases for most of the PB^2 indicators.*** However, the excess hours measure must be manually calculated.

Source: Adapted by OPPAGA based on review of the literature related to performance funding in education.

Finding 3

How Can the PB2 Approach for Community Colleges be Improved to Provide More Useful Information on System-Wide Performance?

For community college PB^2, the Legislature created a set of performance measures that is directly tied to a portion of community college funds. While these incentive fund measures may help to improve System efficiency in some important areas, they are of limited usefulness for judging system-wide performance and effectiveness. A broader set of measures and standards is needed to fully assess the quality and effectiveness of the Community College System.

Additional Measures and Standards Are Needed to Fully Assess the Quality and Effectiveness of the Community College System

The System's measures for Fiscal Years 1996-97 and 1997-98 are not sufficient to adequately judge system-wide performance. While the measures do cover the major instructional programs and focus attention on producing graduates and placing graduates in jobs, they do not cover all of the important services provided by community colleges. Measures are needed to assess other services such as adult secondary and supplemental education programs.

Additional measures are also needed to fully assess the extent to which the System delivers quality education and how well it meets the needs of students. For example, measures should be included that assess the success of associate of arts degree holders after they graduate and that query students and employers about their level of satisfaction with community college educational programs.

Stakeholders also support using a more comprehensive set of measures to judge the System's success. Both the Division of Community Colleges and the Governor's Office have recommended additional measures. Measures recommended by these stakeholders include indicators that assess the quality of education, such as the percent of AA graduates that transfer to four-year institutions; the percent of AS or vocational certificate students that pass licensure exams or become employed in a job related to instruction; and the percent of college preparatory students that enter college level course work leading to a degree or certificate.

The Current Measures Would Be Made More Meaningful if Expressed as Rates

The current measures could be improved and made more meaningful. While a primary responsibility of the Community College System is to award degrees and certificates, simply reporting the number of completers as a performance measure is not the best indicator of how effective community colleges are at graduating students or preparing them for work. Colleges with more students are likely to graduate more students. Measures expressed as rates that indicate the proportion of students who complete their programs of study, find employment, or pass licensure exams would be more meaningful.

The System's PB² Measures Do Not Include Performance Standards

Although the Government Performance and Accountability Act provides that standards be set to judge performance, the System's PB² measures do not include such performance standards. The absence of standards limits the ability of policy-makers and stakeholders to assess the extent to which the System and the individual community colleges have met expectations. Standards should be set based on expected improvement over previous performance or some pre-determined target.

Data Supporting the System's PB² Measures Were Generally Accurate and Reliable

Our review, assisted by the Office of the Auditor General, found that the Division's calculations for determining the number of incentive points earned by the community colleges and the performance data reported by them was generally reliable and accurate.[7] However, we identified concerns with two of the data elements used in measure 2 (completers who are economically disadvantaged and those who are disabled) and with the process currently used to determine the information needed for measure 3 (the number of AA graduates who complete their degrees with no more than 72 attempted credit hours). These measures are shown in Exhibit 1, page 4.

[7] Because the Division of Community Colleges does not have an Inspector General or other entity responsible for ensuring the integrity of community college data, the Office of the Auditor General assisted OPPAGA by reviewing files and source documents at 14 of the 28 community colleges.

Problems Related to Reporting Economically Disadvantaged and Disabled Students Could Affect Distribution of Incentive Funds

First, the number of students reported as economically disadvantaged and disabled is not accurate. Currently, colleges count all students who receive state or federal loans as economically disadvantaged regardless of whether or not their income falls below a certain level. Since some students who receive these loans are not economically disadvantaged, the number of students classified as such is likely to be overstated. On the other hand, the number of students counted as disabled may be understated. Although disability information is typically self-reported by students on the admission application, some colleges have only recently begun to request applicants to provide this information. Since these sub-measures are designed to reward colleges for graduating economically disadvantaged and disabled students, inaccurate counts can affect a college's share of the incentive funds.

In addition, the procedure used to generate the information needed for Measure III is cumbersome and prone to error. Currently, the Division of Community College's student database cannot be used to calculate the number of AA graduates who completed their degrees with no more than 72 attempted credit hours. Instead, each community college manually reviews student records to determine the number of graduates meeting this criterion and submits that number to the Division. If legislative concern over excess hours continues to be an issue, the Division's student database should be improved to make this information and data more readily available.

Chapter 3: Conclusions and Recommendations

The Community College System's Fiscal Years 1996-97 and 1997-98 performance-based program budgeting measures provide limited information for assessing performance. While the measures indicate that the System has gained some efficiency in its degree and certificate programs, the measures are not sufficient to adequately assess the quality and effectiveness of the overall System.

PB^2 Approach Should Be Broadened

To better ensure accountability to stakeholders, the performance-based budgeting approach for community colleges should be expanded to include a more comprehensive set of measures that focuses on System-wide goals. These measures should cover the major responsibilities of the System and set expectations for success. Thus, we recommend that the Legislature retain the incentive fund as part of the Community College System's Performance-based Budget but supplement it by including a broader set of measures with associated (system-wide) standards in the General Appropriations Act. Specifically, we recommend that the system-wide measures cover the following areas:

- completion rates for AA, AS, vocational certificate, and adult education programs;
- enrollment, retention, and completion rates for special populations (i.e., students who are economically disadvantaged, disabled, or in need of remediation);
- student performance such as performance on standardized content-area tests, on state licensure examinations, and average GPA of community college AA transfer students;
- job placement rates for vocational students; and
- employer, student, and alumni satisfaction.

This recommendation can be implemented without having to develop many new measures. Community colleges already report many of these indicators through their annual Accountability Plan report and legislative budget request. To the extent possible, existing accountability measures required by s. 240.324, F.S., should be incorporated into the Community College System's performance-based budget measures. To avoid duplication of effort, the Legislature may wish to consider repealing the requirement for separate annual accountability reporting.

Incentive Funding Distribution Should Be Changed

We also recommend that the Legislature change how it distributes performance-based budgeting incentive funds to the community colleges. At a minimum, we recommend the following three changes:

- ***Distribute incentive funds based on meeting established success criteria.*** Specifically, we recommend that a portion of the incentive funds allotted for a particular indicator be distributed to colleges based on current effectiveness and a portion awarded to colleges based on improvement over past performance.[8] For example, to obtain an effectiveness award, a college would need to achieve performance above the system average. To obtain an improvement award, a college would need to improve over its previous year's performance or improve over its average performance for a defined length of time, such as over the past five years;
- ***Incorporate program length into the distribution of incentive funds for vocational certificate programs once program lengths are standardized.*** This would improve the accessibility of the incentive fund for colleges that focus on longer length programs; and
- ***Add a measure for the percentage of AA degree transfer students who achieve a GPA of 2.5 or higher in the State University System.*** This would provide colleges an incentive to improve the effectiveness and quality of their AA programs.

[8] The Legislature has approved a similar approach for the State University System. The Legislature allocated $3.3 million for Fiscal Year 1997-98 to provide recognition and incentives to universities for meeting current effectiveness and improvement expectations on three indicators.

Incentive Fund Can Be Restructured Around Current Effectiveness, Improvement, Special Population Completion, and Excess Hours/Efficiency

To incorporate these changes, we recommend that the PB^2 incentive fund be restructured around four primary measures: (1) Current Effectiveness, (2) Improvement (3) Special Population Completion, and (4) Excess Hours/Efficiency. Exhibit 5 provides an overview of our recommended changes.[9] This restructured incentive fund would include the original incentive fund measures. However, our recommendation incorporates some additional measures and the use of improvement and current effectiveness criteria in the distribution of incentive funds for some of the indicators. We recommend that success criteria not be used to distribute the special population completion and excess hours awards at this time because of the data concerns cited earlier. These changes would help strengthen the incentive fund as a method for achieving important legislative goals for the Community College System.

Exhibit 5
Overview of OPPAGA's Recommended New Structure for the Community College System's PB^2 Incentive Fund

Measure I: Current Effectiveness	Part A: Program Completion Rates (1) AA degree program (2) AS degree program (3) AS certificate program (4) Occupational certificate program Part B: Program Outcomes (1) Transfer student performance (GPA) in the SUS (AA degree graduates) (2) Passage of state licensure examinations by vocational program completers (3) Placement of vocational program completers in jobs related to their training
Measure II: Improvement	Part A: Program Completion Rates (1) AA degree program (2) AS degree program (3) AS certificate program (4) Occupational certificate programs Part B: Program Outcomes (1) Transfer student performance (GPA) in the SUS (AA degree graduates) (2) Passage of state licensure examinations by vocational program completers (3) Placement of vocational program completers in jobs related to their training
Measure III: Special Population Completion	(1) Required remediation (2) Qualified as economically disadvantaged (3) Reported as disabled Tested into English for Non Speakers (ENS) or English as a Second Language (ESL)
Measure IV: Excess Hours/Efficiency	AA degree completers who graduated with 72 credit hours or less

Source: Developed by OPPAGA

[9] See Appendix A for more detail on how these changes could be implemented, including an example that distributes incentive funds using OPPAGA's proposed new structure.

Legislature Could Increase Proportion of Incentive Funding

We also recommend that the Legislature consider increasing the proportion and amount of total funds for community colleges that are distributed through performance-based budgeting. In Fiscal Year's 1996-97 and 1997-98, the Legislature allocated $12 million of new funds to the community college system's PB^2 incentive fund.[10] Currently, the Legislature adds the prior year's earned incentives into each college's base funding. Instead of adding the prior year's incentive funds into base funding, the Legislature could increase the amount of funds allocated to the System's PB^2 incentive fund which would increase the proportion of total community college funding directly linked to current performance.

Performance-Based Funding Programs Should Be Consolidated

Further, we recommend the Legislature work to consolidate existing performance-based funding programs. Community colleges currently earn incentive funds from two sources: (1) the performance-based budgeting approach that gives incentives for producing graduates and placing graduates in jobs; and (2) the Performance-Based Incentive Fund (PBIF) for preparing students for high-wage, high-skill jobs. Beginning in July 1998, a new incentive fund, the Workforce Development Fund will provide similar incentives.

[10] This represented around 1.7% of the total community college appropriations for Fiscal Year 1996-97 and 1.6% of the total appropriations for Fiscal Year 1997-98.

Appendices

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Appendix A

Illustrations of How the Current Effectiveness and Improvement Awards Could Be Calculated

See Tables 1 and 2 for illustrations of how the current effectiveness and improvement awards could be calculated. See Table 3 for an example of the distribution of incentive funds for five colleges using this recommended new structure.

Current Effectiveness Measure

In order to distribute funds based on the current effectiveness of each college, we propose that a two-part structure be implemented:

Part A: Current effectiveness for graduating students
Part B: Current effectiveness for meeting outcome indicators

For illustration purposes, we assumed $4 million in incentive funds be distributed through Measure I, with $2 million for Part A and $2 million for Part B.

Part A: Graduation Rates

Distribution Formula for Part A: Current Effectiveness for Graduation Rates

- Similar to the current incentive fund, the first step would be to determine the number of completers for each college in four program areas: (1) AA degrees, (2) AS degrees, (3) Postsecondary Vocational Certificates (PSVC) and (4) Postsecondary Adult Vocational Certificate (PSAV). AA and AS completers would be worth 1 point, and PSVC and PSAV completers would be worth 1/2 point.
- Next, for each college, calculate a graduation rate for each of the four programs. We suggest using the number of degrees/certificates per 100 FTE (degrees awarded divided by total program student FTEs). Also calculate the system graduation rate for each of these four programs.
- Then, for each of the four program areas, determine if a college met or exceeded the system graduation rate for that program. If the college met the standard, it is awarded points for the number of

completers it produced in that program. Colleges that do not meet or exceed the system average will not be awarded any points for that program.

- Finally, add the number of points earned for each college to arrive at a system total. Divide the effectiveness award amount for graduation rates ($2 million in our example) by the total number of earned points to come up with a value per point. Multiply the number of points earned by each college by the per point award amount.

Part B: Outcome Goals

Distribution Formula for Part B: Current Effectiveness for Outcome Goals

- First, for each college, calculate the following outcome indicators: (1) the number and percent of AA degree transfer students (completers) who achieved a GPA of 2.5 or better in the State University System, (2) the number and percent of vocational program completers who pass a state licensure exam, and (3) the number and percent of vocational program completers employed in a job related to their training. Also calculate the system average for each of the three outcome indicators. [Note: All three of these measures are in the Community College Accountability Plan.]
- Next, use the number of completers qualifying for each outcome indicator to determine the total number of points for which a college is eligible.
- Then, for each of the three outcome indicators, determine if a college met or exceeded the system average for that indicator. If the college met the standard, they are awarded points for the number of completers qualifying for that particular outcome indicator. Colleges that do not meet the standard will not be awarded any points for that indicator.
- Finally, add the number of points earned for each college to arrive at a system total. Divide the effectiveness award amount for outcome indicators ($2 million in our example) by the total number of earned points to come up with a value per point. Multiply the number of points earned by each college by the per point award amount.

Institutional Improvement Measure

Structurally, Measure II is calculated the same way as Measure I; however, an institutional improvement standard is used to determine if a college is awarded incentive points rather than meeting or exceeding the system average. Specifically, to determine if a college is awarded incentive points, its current year performance for graduation rates and the outcome indicators is compared to its prior two-year average for those indicators. If the college improved over its prior two-year average, it is awarded points. If the college does not improve, it is not awarded points.

Special Categories Measure

We recommend that the funding distribution for Measure III be the same as the current distribution for Special Categories. However it should be noted that the Passed Licensure and Placed Completers categories will not be in this measure since they have been incorporated into Measures I and II. Furthermore, we believe that in the future these awards should be distributed based on current effectiveness and institutional improvement. However, until the data concerns and definitions of these categories (which are discussed in the report) have been addressed, we feel that the distribution of awards should not be changed at this time.

Excess Hours of AA Graduates Measure

We recommend that the funding distribution for Measure IV be the same as the current method used to distribute funds for AA Graduates' Excess Hours. In the future we feel these awards should be distributed based on current effectiveness and institutional improvement. However, until concerns related to the calculation of excess hours (that are discussed in the report) have been addressed, we feel that the distribution of this award should not be changed at this time.

Table 1
College A

Measure I: Effectiveness Award

Part A: Program Completion

If "Yes" in D, then college is awarded A

Compare C to B to determine D

A *B* *C* *D* *E*

Program	Number of Degrees & Certificates	Number of Degrees & Certificates Per 100 FTE Students		Meets Standard? YES/NO	Awarded Points
		System Average	College "A"		
(1) AA Degrees	1,440	24.9	25.1	YES	1,440
(2) AS Degrees	688	29.3	25.0	NO	0
(3) PSV (50%) of points	98	29.3	25.0	NO	0
(4) PSAV (50%) of points	886	52.2	51.4	NO	0
				Total Points	1,440

Part B: Program Outcomes

If "Yes" in D, then college is awarded A

Compare C to B to determine D

A *B* *C* *D* *E*

	Number of Outcomes	System Average for Outcome Measures	College "A"	Meets Standard? YES/NO	Awarded Points
		Percent or Rate			
(1) AA transfer students (completers) at or above a 2.5 GPA in the SUS	288	71.6%	72.2%	YES	288
(2) Vocational program completers who pass state licensure exams	523	88.3%	89.7%	YES	523
(3) Vocational program completers placed in related job	756	85.1%	75.8%	NO	0
				Total Points	811

Table 2
College A

Measure II: Improvement Award

Part A: Program Completion

If "Yes" in D, then college is awarded A

Compare C to B to determine D

A *B* *C* *D* *E*

Program	Number of Degrees & Certificates	Number of Degrees & Certificates Per 100 FTE Students: Prior Performance Average	Number of Degrees & Certificates Per 100 FTE Students: Most Recent Year	Improved? YES/NO	Awarded Points
(1) AA Degrees	1,440	22.5	25.1	YES	1,440
(2) AS Degrees	688	22.1	25.0	YES	688
(3) PSV Certificates	98	22.1	25.0	YES	98
(4) PSAV Certificates	886	51.2	51.4	YES	886
				Total Points	3,112

Part B: Program Outcomes

If "Yes" in D, then college is awarded A

Compare C to B to determine D

A *B* *C* *D* *E*

	Percent or Rate: Number. of Outcomes	Prior Performance Average	Most Recent Year	Improved? YES/NO	Awarded Points
(1) AA Transfer students at or above a 2.5 GPA in the SUS	288	64.0%	72.2%	YES	288
(2) Vocational program completers who pass state licensure exams	523	90.0%	89.7%	NO	0
(3) Vocational program completers placed in related job	756	87.2%	75.8%	NO	0
				Total Points	288

Table 3
Example of New Distribution for Five Colleges

Measure I Current Effectiveness

	Part A. Program Completion (Weighted)						Part B. Program Outcomes (Weighted)					
College	AA	AS	PSV Certs. (1.2 pt.)	PSAV Certs. (1.2 pt.)	Total Points	Fund Dist.	AA Transfer GPA	Passed Licensure	Placed Comps	Total Points	Fund Dist.	Total Fund Dist. For Measure I
A	1,440	0	0	0	1,440	$144,753	288	523	0	811	$167,423	$312,176
B	0	555	140	0	695	$69,863	0	362	421	362	$74,732	$144,595
C	184	0	0	0	184	$18,496	48	42	38	128	$26,424	$44,920
D	484	199	27	117	827	$83,132	0	134	244	378	$78,035	$161,167
E	1,282	0	0	0	1,282	$128,870	0	0	83	83	$17,135	$146,005

Measure II Institutional Improvement

	Part A. Program Completion (Weighted)						Part B. Program Outcomes (Weighted)					
College	AA	AS	PSV Certs. (1.2 pt.)	PSAV Certs. (1.2 pt.)	Total Points	Fund Dist.	AA Transfer GPA	Passed Licensure	Placed Comps	Total Points	Fund Dist.	Total Fund Dist. For Measure II
A	1,440	688	98	886	3,112	$186,063	288	0	0	288	$62,203	$248,266
B	1,425	555	140	128	2,248	$134,406	564	362	421	1,347	$290,938	$425,344
C	184	79	2	0	265	$15,844	0	0	38	38	$8,207	$24,051
D	0	199	27	117	343	$20,508	133	134	0	267	$57,667	$78,175
E	1,282	0	0	0	1,282	$76,649	0	0	0	0	0	$76,649

Measure III Special Populations

College	College Prep	Econ. Disadv.	Disabled	ESL/ ESN	Total Points	Fund Dist.
A	1,031	933	106	70	2,140	$139,101
B	789	733	49	7	1,578	$102,571
C	104	98	11	0	213	$13,845
D	269	259	46	0	574	$37,310
E	403	479	112	4	998	$64,870

Measure IV Excess Hours

College	Excess Hours	Fund Dist.
A	658	$166,624
B	497	$125,855
C	64	$16,207
D	192	$48,620
E	518	$131,172

Total Incentive Award

College	Total Fund Dist.
A	$866,168
B	$798,364
C	$99,023
D	$325,272
E	$418,697

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Appendix B

Response from the Florida State Board of Community Colleges

In accordance with the provisions of s. 11.45(7)(d), F.S., a list of preliminary and tentative review findings was submitted to the Acting Executive Director of the Florida Board of Community Colleges for his review and response.

The Acting Executive Director's written response is reproduced herein beginning on page 26.

Florida State Board of
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February 6, 1998

Mr. John W. Turcotte, Director
Office of Program Policy Analysis and Governmental Accountability
111 West Madison Street, Room 312
Claude Pepper Building
Tallahassee, Florida 32301

Dear Mr. Turcotte:

This is in response to your draft report entitled "Review of the Community College System's Performance-Based Program Budgeting Measures and Incentive Fund."

We are generally pleased with the report. Your staff has done an excellent job of sorting through a number of issues to identify the ones most important to the topic. They obviously have approached this review with an open mind and with the goal of improving the system. They clearly did some thorough research and contributed a great deal of insight. Although we found the report factually accurate and we agree with the general premise that the current funding model can be improved by adding measures, there are a few areas of the report with which we disagree and upon which we would like to elaborate. The disagreement is more philosophical in nature and should in no way be taken as a negative reflection on the report or the staff involved.

We have organized our response around the three major questions that the report addresses and have commented on each finding whether we agreed or disagreed.

Question 1. Using the Community College System's Performance-Based Budgeting Incentive Fund Measures, what can be concluded about its performance in fiscal year 1996-97?

> **OPPAGA Finding: The Community College System Gained Some Efficiency in Its Degree and Certificate Programs in 1996-97.**

This observation is correct. The number of degrees and certificates awarded during 1996-97 increased over 1995-96 even though total enrollment in these programs declined. However, as noted in your report, this phenomenon can not necessarily be entirely attributed to Performance-Based Budgeting Incentive Funding. Indeed, the trend has been toward this efficiency since 1993. We believe this outcome is primarily the result of accountability initiatives of the colleges.

OPPAGA Finding: Current Data Are Not Yet Available for Many of the Performance-Based Budgeting Incentive Fund Measures.

This observation is correct. Much of the data identified for the Incentive Fund measures has not been collected historically. There is also a time lag for the collection of data related to some of the measures.

OPPAGA Finding: Most Community College Presidents Reported That the Performance-Based Budgeting Incentive Fund Has Had a Positive Impact on their Institutions.

This observation is correct. Although the efficiencies noted earlier can not be entirely attributed to Performance-Based Budgeting Incentive Funding, college presidents agree that Performance-Based Budgeting Incentive Funding has caused their institutions to focus more on student success and helping their students to complete their programs of study.

Question 2. How can the System's Performance-Based Budgeting Incentive Fund be improved?

OPPAGA Finding: Current Performance-Based Budgeting Incentive Fund Provides a Simple, Straightforward Way of Distributing Incentive Money to Colleges.

This observation is also correct. The three measures identified for Performance-Based Budgeting Incentive Funding are clearly identified and easily understood by the institutions. However, we would like to point out that, although the current performance-based budgeting incentive fund is referred-to as incentive throughout the report and in the law, it is not a true incentive program. Incentive funds usually imply additional funding above the base. These funds have replaced workload funding as a legislative issue and, in reality, are the only new funds available to colleges for expanding programs.

OPPAGA Finding: Current Performance-Based Budgeting Incentive Fund Could be Improved in Some Critical Areas.

This observation is irrefutable. Any system can always be improved. However, as a new initiative, we believe the current performance-based budgeting incentive fund has been well thought out and is being effective as a means of establishing state policy.

OPPAGA Finding: In Competing for PB² Incentive Fund, Colleges Servicing a Large Proportion of Students in Adult Education Programs May Be at a Disadvantage.

This observation is correct. There are currently no measures in the performance-based budgeting incentive fund that address adult education. This issue has been discussed since the initiation of performance-based budgeting, measures have been identified, and we are prepared to incorporate adult education into performance-based budgeting.

This is also a valid observation. When the concept of performance-based budgeting incentive funding originated, the idea was to keep the measures as simple as possible. The reasoning on completers was that degrees were generally equivalent to two years of course work and certificates were equivalent to one year. Thus, one point for a degree and one-half point for a certificate. As the concept continues to be developed and there are discussions of expanding the amount of funds associated with performance budgeting, we do need to fund completers based on the program cost of producing a completer. In other words, the rewards of PB^2 should be commensurate with the cost of the program.

Question 3: How can the PB^2 approach for Community Colleges be improved to provide more useful information on system-wide performance?

OPPAGA Finding: PB^2 Incentive Fund Measures Allow Limited Conclusions About Performance.

This observation is also correct. Because the initial measures were kept few in number and were simple and straightforward, they were not intended to provide broad conclusions about system performance.

OPPAGA Finding: Additional Measures and Standards Are Needed to Fully Assess the Quality and Effectiveness of the Community College System.

We agree that a broader set of measures and standards would be needed to "fully assess the quality and effectiveness of the Community College System." However, we do not believe that it is necessary or even desirable to have a funding system that attempts to fully assess the quality and effectiveness of the system. Quality effectiveness in education is difficult to define and even more difficult to assess. It may take several years after the educational program is provided before the results can be meaningfully assessed, and there are so many intangibles that the results can probably never be "fully assessed." Meanwhile, the budget process is revisited annually and faculty salaries must be paid and instructional materials must be purchased. Studies have shown that higher education levels result in lower crime rates, better employment, and increased public service. However, it is not easy to determine when such benefits begin to accrue. Community college students do not typically attend college full-time for two years, obtain a degree, and suddenly become better citizens. Students typically attend part-time over many years, often stopping-out completely, and become better citizens continuously throughout a growth process. Many community college students enroll for one course, sometimes many courses, with no intention of ever completing a degree. Consequently, degree rates will never approach 100 percent and should not be expected to do so. For this reason, among others, community colleges are hesitant to endorse a performance-based funding model that attempts to do too much. We strongly believe in performance-based budgeting and support the efforts of the Legislature to improve accountability in government. We are simply advising caution in the application of such measures to large-scale funding.

OPPAGA Finding: The Current Measures Would be Made More Meaningful if Expressed as Rates.

While we agree with your position that measures expressed in terms of rates would provide more meaningful information about our institutions, we do not necessarily agree that such measures should be

incorporated into performance-based budgeting. The use of rates is usually applied to measuring efficiency rather than effectiveness or quality. Stephen Covey would say, performance measures help to focus organizations' activities on effectiveness (doing the right thing) rather than efficiency (doing things right). We would argue that community colleges should certainly be both effective and efficient. However, we would argue that funding efficiency (providing financial rewards for efficiencies) in the public sector, particularly in service organizations, is incongruous and counterproductive. Since the goal of public sector budgeting is resource allocation--not profit--the organization will simply budget the financial reward during the next cycle and consequently become less efficient. Efficiency should be encouraged through some means other than the state funding process. This other means for community colleges is their accountability process. The goal of performance-based budgeting incentive funds is to focus attention on "doing the right things." There should be a system for assessing whether or not colleges are "doing things right," but it is not necessary to incorporate that system into performance budgeting. Our model has been effective in focusing attention on doing the right things. College administrators are paying more attention to student assessment, counseling, and retention. Programs and faculty are receiving more critical evaluations, and as you noted in your report, the number of graduates has steadily increased.

OPPAGA Finding: The System's PB² Measures Do Not Include Performance Standards.

This observation is correct. The current system does not include system-wide performance standards. However, as we have stated earlier, we do not believe it is necessary, or even desirable, to incorporate all accountability measures into a funding process. As noted, the system already collects information on certain rates and reports the information as part of our accountability process. This information is useful in evaluating the performance of an institution, but it is not an exact science. An improved rate does not necessarily mean that an institution is doing a better job and you certainly cannot compare rates between schools without consideration of other mitigating factors. Providing education is not the same as producing widgets. Every institution is different. Their missions are different, their programs are different, and their clientele is different. To establish a system standard that does not allow for mitigating factors is not an equitable process. We would be very much opposed to a funding process like the one in the appendix of this report that deprives an institution of any incentive funds unless it achieves a rate at least equal to a state average in a particular category. We can think of several instances in which a college could have the lowest rate in the state on a certain measure and yet be doing a better job than most of the other schools.

Certainly the system could benefit from a more comprehensive set of measures. Indeed, we have suggested additional measures as you have noted. We could even suggest others that you have not mentioned in your report. You mention the percent of AA graduates that transfer to four-year institutions. What about AA graduates that are placed in jobs and do not continue to the baccalaureate degree? What about students who transfer to a four-year institution before they receive their AA degree? What about students who take college transfer courses to enhance their job opportunities but do not achieve an AA or AS degree?

We could carry additional measures to the extreme and still not consider all meaningful possibilities, but it is important to keep the measures simple and understandable for those involved at the policy level and in the classroom.

OPPAGA Finding: Data Supporting the System's PB² Measures Were Generally Accurate and Reliable.

We appreciate this observation. The system has worked hard for many years to develop databases that will provide timely, accurate data to assist in decision making.

OPPAGA Finding: Problems Related to Reporting Economically Disadvantaged and Disabled Students Could Affect Distribution of Incentive Funds.

We also appreciate this observation. As noted above, the system has worked hard for many years to develop databases that will provide timely, accurate data. The problems your staff identified regarding the reporting of economically disadvantaged and disabled students have been addressed and we have agreed to use different data elements for these types of completers. We also agree that the procedure used to generate excess hour information is cumbersome and prone to error. We believe this particular measure has served its purpose and should be deleted from the performance-based budgeting process.

Thank you for this opportunity to respond.

Sincerely,

/s/

J. David Armstrong, Jr.
Acting Executive Director

gyl

The Florida Legislature

Office of Program Policy Analysis and Government Accountability

ANNOUNCEMENT

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